IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re application of:	
Weber *et al.*	Art Unit: 3695
Appl. No. 10/753,069	Examiner: Pollock
Filed: January 8, 2004	Atty. Docket: 00322.0008.CPUS01
For: Systems and Methods for Trading Actively Managed Funds	

Request for Reconsideration of Finality of Final Office Action

Commissioner for Patents
Washington, D.C. 20231

Sir:

Pursuant to MPEP 706.07(d), Applicants request reconsideration of the finality of the Final Office Action, mailed July 20, 2010. The Final Office Action is premature because the Examiner erred in failing properly to consider the overwhelming evidence of non-obviousness presented in the Baker declarations.

In the Final Office Action, the Examiner wrote that "[t]he evidence submitted with regard to claims 56-59 and 97 [is] moot since the claims are directed toward a 'traded fund' and not an 'exchange traded fund'.... The evidence submitted with regard to claims 95 and 96 [is] moot in view of new grounds of rejection, Shearer ... which shows that the novel feature of risk factor models had been applied to exchange traded funds prior to the applicants[']' disclosure." The Examiner erred in failing to consider the affidavits under 37 CFR 1.132.

As the MPEP states, "[e]vidence traversing rejections, when timely presented, ***must be considered by the examiner*** whenever present. ... Where the evidence is insufficient to

overcome the rejection, the examiner ***must specifically explain why*** the evidence is insufficient." MPEP 716.01 (emphasis added). The Examiner failed to comply with MPEP 716.01. The Examiner's statement that Applicants' evidence of nonobviousness is "moot" does not explain why the evidence is insufficient – Applicants' evidence is not limited to exchange traded funds.

First, contrary to the Examiner's conclusion, Applicants' evidence of non-obviousness does not rely on the fund being traded on an exchange. The Examiner's reasoning that "the claims are directed toward a 'traded fund' and not an 'exchange traded fund'" thus does not justify his failure to consider the overwhelming evidence of non-obviousness cited. Any kind of traded fund traded at negotiated prices, whether traded on an exchange or on any other type of secondary market, in order to be priced efficiently, requires sufficient information to determine a fair price. As explained in detail in the Baker declarations, a primary problem with providing sufficient information to determine a fair price is the so-called "transparency problem" – the conflicting goals of keeping a fund portfolio secret but providing sufficient information for market participants to price and hedge investments in the fund. *See* Baker Decl. 3/18/2005 at ¶ 11; Baker Decl. 9/28/2009 at ¶¶ 12-39. Applicants solved the transparency problem, allowing not *just* "exchange traded" funds, but *any* type of traded fund where it would be desirable to keep the fund holdings from being disclosed.

Second, the Examiner has failed to consider the applicants' argument with respect to Dembo. Instead, the Examiner has merely repeated *verbatim* the same rejection over Dembo that he made in the non-final office action on February 18, 2010. (*Compare* OA 2/18/2010 at pp. 14-15 *with* OA 7/20/2010 at p. 12). The rejection begins, in both cases, "**[a]s per claim 56,** Dembo teaches **a traded fund**...." *Id.* (emphasis in originals). As Applicants explained both in the response to the office action and in the Baker declaration of September 28, 2009, Dembo

does not teach a "traded fund." (*See* Amendment of 11/6/2009 at pp. 20-21; Baker Decl. of 9/28/2009 at ¶¶ 40-43). There is a fundamental and significant difference between a portfolio that **consists** of financial instruments that are traded (which is arguably taught by Dembo) and a traded fund, which **issues** shares in itself that are in turn traded. Thus, the "traded" instruments discussed in Dembo are shares held in its portfolio, while the "traded" instruments in a traded fund are shares of the fund itself. For reasons that are not set forth in the Final Office Action, the Examiner ignored this critical distinction, and instead simply copied his rejection from the previous office action. Nowhere in the final office action, however, does the Examiner identify where Dembo discloses that any fund was ***traded***.

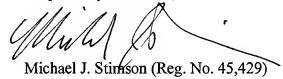
Third, the Examiner cited the Shearer application for the proposition that "Shearer teaches the application of a risk factor model ... with an exchange traded fund as one of the applications of its invention ([¶4])." (Final Office Action at p. 15). As an initial observation, ¶ 4 of Shearer identifies exchange traded funds (ETFs) as financial instruments that are *part* of a portfolio to be optimized – it does not state that the ETFs are themselves enabled with a risk factor model, as is the case with the present invention. The Examiner failed to give Applicants any opportunity to address Shearer, instead introducing this new rejection based in part on Shearer in a final rejection. It was premature to issue a final rejection without giving Applicants the opportunity to address Shearer. (*See* MPEP 706.07) ("Before final rejection is in order a clear issue should be developed between the examiner and applicant. ... [P]resent practice does not sanction hasty and ill-considered final rejections. The applicant who is seeking to define his or her invention in claims that will give him or her the patent protection to which he or she is justly entitled should receive the cooperation of the examiner to that end, and not be prematurely cut off in the prosecution of his or her application.").

Finally, the Examiner's new rejections under § 112 would best be handled by a telephone call to Applicants' representative to inform him what language the Examiner would prefer for computer implementation to satisfy the "machine or transformation" test. Applicants' representative thanks the Examiner for discussing this issue on July 27, 2010, and believes that each of these new rejections can be overcome by simple amendments.

Conclusion

Applicants look forward to the in-person interview scheduled for August 13, 2010. Applicants believe that the outstanding issues in this case will be resolved at that time. It will expedite prosecution, however, if the finality of the July 20, 2010 office action is withdrawn. Applicants therefore respectfully request that the finality of the Final Office Action be withdrawn.

Respectfully submitted,



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Date: August 4, 2010

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